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## India

### Agricultural Situation

### Weekly Highlights & Hot Bites, #18

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**Report Highlights:**

\*India may see the fastest growth rate in history\*, \*Highway to health: India eating better\*,  
\*Wal-Mart to stock mostly local goods\*, \*Congress votes nay to Wal-Mart tag\*, \*Starbucks  
knocks at FIPB door\*, \*India miffed with WTO farm draft\*, \*AP slams brakes on Bollgard II  
entry\*, \*Centre may allow mills to produce ethanol from lower grade sugar\*.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
New Delhi [IN1]  
[IN]

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

### **INDIA MAY SEE THE FASTEST GROWTH RATE IN HISTORY**

Indian incomes could triple and its middle class could grow more than ten times, to 583 million by 2025, from the current 50 million, if its economy grows at an average of 7.3% for two decades, says a McKinsey Global Institute report, the research arm of the McKinsey & Co. Rising incomes will drive consumption, with aggregate consumption set to quadruple by 2025 to Rs. 70 trillion (\$1.7 trillion) from the present Rs. 17 trillion, the report says. This could make India the world's fifth largest consumer market by 2025 from the current twelfth largest. "The drivers for consumption will be economic growth, more people entering the workforce, and a change in spending patterns," said McKinsey's Managing Director, Adil Zainulbhai. The report says urban consumption will form 62% of the total in 2025, from 43% currently. Over the next two decades, 79% of all spending will come from the middle class and rich, compared with the current 75% spending from the deprived. As poverty is alleviated, Indians will spend less on basic necessities. Spending on food, beverages, and tobacco will drop to 25% in 2025 from 42% in 2005. (Source: Mint, 05/4/07)

### **HIGHWAY TO HEALTH: INDIA EATING BETTER**

According to a latest study conducted by the National Sample Survey Organization (NSSO), Indian diets have started shifting to more healthy foods like green vegetables, fruits, milk, pulses, chicken and eggs and away from red meat and saturated fats like vanaspati and coconut oil. Among the edible oils, sunflower, corn and soybean oil are being favored over traditional options, like mustard-rape seed, coconut oil and vanaspati. Egg consumption has increased by about 60 percent in rural India, while the consumption of chicken rose by three times in urban areas and two and a half times in rural areas. Vegetables consumption trends have registered the maximum increase between 5 to 15 percent. (Source: The Times of India, 05/1/07)

### **WAL-MART TO STOCK MOSTLY LOCAL GOODS**

Wal-Mart Stores Inc. plans to launch its 50:50 cash-and-carry (wholesale) joint venture operation with Bharti Enterprises by the middle of 2008, reaching 75 cities over the next five to seven years. Wal-Mart and Bharti had agreed to a joint venture arrangement wherein Wal-Mart will operate cash-and-carry, logistic and back-end operations of retail, while Bharti will manage the front-end retail stores. However, Wal-Mart will also supply products to local mom-and-pop stores and retail chains. Nearly 90 percent of all products sold at Wal-Mart stores will be made in India and rest imported. Wal-Mart currently sources merchandise worth \$600 million from India, and has plans to introduce new product lines and help local vendors develop them rather than source from abroad. Going by their global strategy, they are targeting prices up to 25 percent cheaper than other wholesalers. The company intends to open four to five stores (of 50,000 to 100,000 square feet on a rent and lease model) in 2008. (Sources: Times of India, Business Standard, Financial Express, 05/3/07)

**CONGRESS VOTES NAY TO WAL-MART TAG**

Political sensitivities of the ruling Congress Party could mean that Wal-Mart may not be allowed to use its brand name in the proposed retail joint venture with Bharti Enterprises. They have objected to the possibility of the retail venture using the Wal-Mart tag for its retail stores as it may create the impression that global retailers have managed to evade the ban on foreign direct investment in retail. Wal-Mart's entry into India has provoked opposition from small traders and retailers group across the country. Given the fact that general elections will be less than a year away after the first Wal-Mart Bharti store come up in 2008, the government will be wary of giving an issue to the opposition. (Source: Economic Times, 05/3/07)

**STARBUCKS KNOCKS AT FIPB DOOR**

Starbucks has filed a revised application with the Foreign Investment Promotion Board (FIPB) to enter the Indian market via the franchise route. The chain is expected to begin its India operations next year with plans to open 100 outlets in the first year. Starbucks' previous application did not get the FIPB approval, as the Board was not clear about the foreign shareholding structure of the proposal. It is learnt that in order to adhere to the existing regulatory requirements, Starbucks has now proposed to enter India through the franchise route, rather than the joint venture model that it was exploring earlier. (Source: Economic Times, 05/2/07)

**INDIA MIFFED WITH WTO FARM DRAFT**

India has criticized the draft issued by the head of the WTO Committee on Agriculture, Crawford Falconer, terming it as "heavily weighed in favor of rich countries." Reacting to the report, Commerce Secretary G.K. Pillai said India was in favor of moving the talks forward, but the draft should be rational. "The draft has given enough leeway to the U.S. by suggesting the subsidy cut number will be in the teens and a cut in lower teens may not be doable. We feel the U.S. should make an effective cut in its overall trade-distorting subsidies to below \$11 billion." The draft has said that the coverage under special products (SPs) for developing countries should be in a range of 5% to 8% of the tariff lines, contrary to the G-33 demand for 20%. "As per the Hong Kong declaration, every developing country should have the right to designate an appropriate number of SPs, which may be different from country to country. The process should be guided by indicators. We are willing to work on indicators," the Commerce Secretary said. (Source: Financial Express, 05/2/07)

**AP SLAMS BRAKES ON BOLLGARD II ENTRY**

In a high level meeting of state agriculture department officials, the state Agriculture Minister stated that introduction of bollgard II cotton seed at a higher price will create confusion for farmers at this juncture. Last year, seed manufacturers were directed to reduce the price of bollgard I cotton seed to rs. 750 per packet (450 gm). Meanwhile, Mahyco-Monsanto Biotech Limited announced the introduction of bollgard II cotton seed at a price of rs. 975 per packet. Since farmers can not distinguish between bollgard I and bollgard II seeds, the State Agriculture Minister asked his department not to hurry in allowing the sale of bollgard II seeds. The government also suspects that the company may deliberately create short supply of bollgard I to create demand for bollgard II seeds, he said. (Source: Business Line, 05/3/07)

**CENTRE MAY ALLOW MILLS TO PRODUCE ETHANOL FROM LOWER GRADE SUGAR**

The government may allow mills to use low-grade sugar to make ethanol to tide over the crisis of the slump in sugar prices due to the record harvest. Agriculture Minister Pawar informed the Parliament that this will help mills reduce their inventory and boost domestic prices. Currently, government rules permit mills to produce ethanol from molasses, not sugar. (Source: Financial Express, 05/1/07)

**RECENT REPORTS SUBMITTED BY FAS/NEW DELHI**

REPORT #	SUBJECT	DATE SUBMITTED
IN7037	Weekly Highlights & Hot Bites, #17	04/27/07
IN7038	Grain and Feed – Quarterly Lock up Report: May	04/30/07

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